BUSINESS RESOURCE CENTRE

Starting a Sporting Goods Store

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Manitoba
Industry, Trade
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INTRODUCTION

According to Statistics Canada, the fitness industry is the second fastest growing industry in Canada. Total sales in Manitoba during January to March 1985 were 2,844,000 (a decrease of 9.5% from the previous year) for Independent Stores. In Winnipeg, sales in that period were $743,000 (up 0.5%)[1]. The rapid growth of this industry has precipitated increased competition for retail sporting goods stores from such diverse sources as department stores, hardware stores, supermarkets and even the occasional drugstore.

Having an owner/manager who is enthusiastic about sports is not enough to ensure the success of a sporting goods store. Good business management skills are also required. According to Statistics Canada, one out of every three new retail outlets fails within the first three years of operation, usually as a result of management problems. An owner/manager requires knowledge of inventory control, personnel management, and marketing. Equally essential are the abilities to work with figures and to accurately predict product demands. Careful planning is of the utmost importance, for it greatly increases the probability of success.

In this handbook some of the key items which the owner/manager must consider prior to opening up the business are identified. Your ability to work through and develop these areas will directly affect the future success of the operation.

Should you require further assistance, the Department of Industry, Trade & Tourism has a broad range of services and publications available to assist small business. This handbook should be read in conjunction with the "Retail Business Plan", "Marketing", and the "Small Business Finance Plan".

LEGAL CONSIDERATIONS

Thought must be given to the business structure your operation will assume. Alternatives include sole proprietorship, partnership, and incorporation, each form having its distinct advantages and disadvantages.

[1]Source: Statistics Canada Catalogue #63.005 Retail Trade January 1987

Factors influencing your decision will include the ease and cost of organization, financing, management risk, and liability and tax considerations.

As a retailer, you will be required to register your business name. As well, you must obtain a provincial retail sales tax number, an employer number and register with the Workers' Compensation Board. You must also comply with other tax regulations and employer responsibilities. The Business Resource Centre has produced a handbook, "Starting a Small Business in Manitoba", which provides a description of your responsibilities in areas of licensing permits and taxes.

Furthermore, determine your insurance needs before you start the business venture. The major types of insurance to be considered are:

> General Insurance - most often this type of coverage includes insurance on the assets of the business, liability insurance on premises and vehicles, fire insurance, crime and vandalism coverage, and business interruption insurance.
>
> Life Insurance - usually this coverage is placed on the lives of owners. (Often partners will purchase life insurance on each other's life in order to ensure continuance of the business.)
>
> Workers' Compensation - this is required by Manitoba law for reimbursing employees injured on the job for any loss of wages suffered as a result of such an injury.

Information and advice concerning these matters can be obtained by contacting your local insurance agent and Workers' Compensation Board of Manitoba 1-800-362-3340.

STORE TYPE

One of the first decisions to be made in regard to your store is whether you will offer a full range of sporting equipment, or if you will specialize in one or two particular sports. Full line stores carry equipment for a variety of sports, the exact makeup of which depends to some degree on the demand for the product in the store's market area. Commonly, full line stores stock tennis, golf, hockey, baseball, football and ski equipment. Contrary to what might be believed, full line stores cannot stock every type of sports equipment, and should not attempt to do so. Budget restrictions and space limitations make it impossible for a store to carry a true full range of equipment.

Alternatively, you might decide to have a specialty store. Your store will carry equipment for one or two sports in the winter season, and another one or two in the summer. For example, you might carry ski equipment in the winter, and tennis equipment and bicycles in the summer. You must be certain, of course, that there is sufficient demand in your trading area to warrant such a specialty store. Specialty stores (Curling Supply Centre, The Hockey Hutch) try to direct their services towards persons heavily involved in particular sports.

MARKET ANALYSIS

It is important to select an appropriate product mix for the area in which your store is situated. The demand for sports equipment in any area is determined largely by (a) the available facilities and (b) the preferences of the local population. In a rural area, for example, hunting and fishing are likely to be popular. In an urban setting, golf and racquet sports are more prevalent than in rural areas. The product mix in your store should reflect needs of the local market, not your own personal preferences.

A careful study of the demographics in an area should assist you in properly meeting the demand of the local market. It may reveal some interesting trends. The female population has been responsible for an increasing proportion of sporting goods sales in recent years. The needs of the female segment of the market should be considered when planning your store and inventory selection.

Another demographic factor to be considered is the age of the market. It is predicted that by 1990 the population of Manitoba will have increased by 100,000 which represents a declining growth rate. The decline will be most significant in the 10 - 19 age group. The 30 - 39 group will experience the largest increase, followed by the 40 - 49 and the over 70 groups.

Examine other aspects of age and normative sports behavior to help meet the market needs. Younger market segments tend to participate in more strenuous activities while older segments take up the less physically demanding sports (bowling, golf).

Another factor to consider is the trend in the market place. In recent years, there has been a boom in racquet clubs and racquet sports. As such trends emerge they provide opportunities for the sporting goods retailer. You should thus attempt to keep abreast of all market developments. By carefully tailoring your product mix to meet present and future needs, growth and success will more likely be achieved.

SALES ESTIMATES

It is possible to make an estimate of the total potential sales for your store. A number of steps are involved:

(1) Draw the geographic boundaries for your store's trading area. For a small town, that would include the area surrounding the town, but in a larger centre it may include only a few blocks.

(2) Estimate the total population within that trading area. Statistics Canada's Census data can be used for this purpose, as can the Manitoba Department of Economic Development and Tourism's Community Reports.

(3) Determine the average income level of the population. The same sources used in (2) should provide that information.

(4) Find the per capita expenditures for sporting goods for the trading area. Statistics Canada should again be able to provide this information.

(5) Calculate the total potential sales, by multiplying the population estimate by the average expenditure. If, for example, population is 40,000 and the per capita expenditure is $120 for the particular income level, then the total potential sales for the area is $4.8 million per year.

(6) Estimate the potential share of the total sales your store might be able to achieve. Find the number of competitors currently in the area. If there are 20 stores, then sales would be $240,000 per store. More realistically, sales would not be distributed evenly between stores. However, this procedure does provide some insight into the volume you might expect.

You must consider as well some expenditures on sporting goods may be made outside the trading area. Even if you are considering locating your store in Brandon, you must consider that some shopping dollars are spent by Brandonites in Winnipeg.

LOCATION

One of the most important decisions you must make is where to locate your store. Several factors should affect your choice of a location. They include:

a) competition;
b) prospective customers in the area;
c) accessibility and visibility of the location;
d) cost.

Too many similar stores in an area can over-saturate the market and lead to a loss of business for all. In evaluating a location, identify prospective competitors, along with their product lines and prices. Department stores, offering a wide selection of goods at low prices, present a formidable competitor for the independent sporting goods store. Your attack should be to create a special distinct image for your store, offering a 'total product' which is different from that offered by other stores nearby. Thus your focus might be on personalized service and professional advice, which department stores do not offer. You might differentiate your store from others in other ways as well, creating an image as the "ski expert" or the "runner's store", for example. Competition can be based on such non-price variables as product offerings, location, promotions, and service (including returns, credit policy, deliveries, convenient hours, and so on).

As noted in the Market Analysis section, the number and characteristics of the population surrounding the store are quite important, and they should indicate the product line offered. You need to know if the population in the town is increasing/decreasing, as well as characteristics such as the age, income, education and buying habits of its inhabitants and those who live in surrounding areas.

It is important that the location be accessible from a number of areas, that it have adequate parking facilities and public transportation service to serve customers' needs. The store should be clearly visible from as many vantage points as possible, not hidden or obscured from view.

A shopping centre, with its high traffic flows, is considered a prime location. However, there are usually high rental costs for such space, a factor which must certainly be given consideration in your location selection.

If you are considering a location which has been used by a retailer in the past, you should investigate the site's history. Any problems which have risen in the past attributable to location will likely recur. In the same way, you should investigate government and community plans which might detract or add to the value of a location (rezoning, new highways, bridges, etc.).

The location most appropriate for your store depends to a degree on the type of store and the products and services offered. For example, it may be less essential for a specialty store to be in a high traffic location, as its customers will go out of their way to patronize the store. Similarly, a store which offers repairs may need more parking and easy access through an alternate entrance. It may be disadvantageous for a bicycle repair shop to locate in a shopping centre as it would be difficult for patrons to bring their bicycles in for service.

LEASING

Having decided on a location, and assuming that you won't be constructing or purchasing your own building to house your business, drawing up a lease of occupancy for your store is the next step. The lease agreement should clearly specify all of the liabilities and duties which are assumed by both respective parties, the lessor and lessee. Once the lease has been drawn up, you should have it reviewed by your lawyer to insure that your interests are protected and that all relevant aspects of occupancy have been covered. The costs of putting the space in shape to suit your needs will require careful estimating and this is an area where many a new venture fails to consider the real costs of fixing a place up. Things like painting, paving, plumbing, landscaping, partitioning, wiring, etc. can add up to substantial amounts. One clause that should be included in virtually all lease agreements is one which permits you, the tenant, to sublet the premises in case of business failure or business relocation. Most lease payments are made in a set monthly amount or, as it is known in the trade, a

flat rental fee. The second way is to pay a percentage of the total annual gross sales. All aspects of these two types of lease payments should be explored relative to your own particular lease situation.

Since rent is the major cost in owning and running a business, periodic evaluations of space usage should be made to insure that it is used efficiently. One means of evaluating space usage involves an analysis of the sales per square foot ratio. This ratio compares the actual floor space used for retail selling, with the annual gross sales generated. For sporting goods store operations, trade averages and experience seem to suggest that a satisfactory ratio should lie in the range of $70 to $90 per square foot. However, due to the great diversions of size of store and types of merchandise carried, any ratio computed may only be used as a rough guideline in testing efficiency of space usage.

A brief example will help explain this type of computation and also show the usefulness of the ratio obtained. Imagine a store with the total area of 2200 square feet, 2000 of which is used for retail selling. If sales for the previous year were $120,000, the sales per square foot ratio would be $\frac{\$120,000}{2,000}$ or $60 per square foot. Given the range which is normally expected in this type of organization ($70 to $90 per square foot), the $60 per square foot amount calculated would suggest that the floor space is not being used efficiently. Possible actions which could be taken to remedy this situation could include rearranging merchandise or altering the product mix carried.

BUYING AN EXISTING OPERATION

Instead of setting up your own store, another possibility to consider is the purchase of an existing store. If an existing operation is acquired, the purchase price would normally be negotiated to include all inventories, fixtures etc. However, under this purchase option, it is especially critical that sufficient time and efforts are made in assessing the operation in order to avoid making a poor decision which could have very adverse effects on future operations.

Firstly, find out the true reason for selling. Is it because the location has been rezoned, or is it really because the owner is moving? Study the merchandise and stock - it may be inappropriate for the market area. Verify the firm's operational viability as far as possible by examining the financial records and the most up-to-date financial statements available. Check the credit rating of the firm. If it has a poor reputation within the industry, it may be impossible or costly to change. Finally, study the area. Is it one which is deteriorating? Have the local zoning authorities rezoned the area for heavy industry? Have there been some new traffic developments which will alter the present traffic flows to the detriment of the present location? Careful consideration of all these factors is essential before buying an existing operation.

STORE DESIGN AND LAYOUT

In designing the store, be sure that all elements are carefully coordinated with the goods you are selling, but don't be afraid to use your imagination. Sports posters could decorate the walls, personnel can wear the type of outfits being sold, and various displays might be used to enhance the layout of the premises. The interior should help accent the merchandise and convey the image of a well-stocked store with an interior layout designed to encourage mobility throughout the premises. Such interior display and layout techniques should help to increase sales.

Major equipment should be placed on the sides or at the back of the store so that customers are drawn past other merchandise. Impulse items, such as hats, shoelaces, etc. should be displayed at the end of aisles or on special racks near the front of the store.

The exterior of your store is just as important. It also should convey a desired image, and consequently attract passersby to the premises.

In developing your store design, remember that shelves, bins, racks, hangers, counters, mannequins, and cash registers will all be available in order to sell merchandise. While new fixtures are always available, often used furnishings and display fixtures are available at significantly less initial cost. As long as there is no detrimental effect on the overall image created, used fixtures are perfectly suitable.

ADVERTISING AND PROMOTION

Advertising is used to create interest in your outlet as well as to inform the public of your existence. Consequently, initial advertising expenditures should be as high as 6% of projected sales. In later stages, the job of advertising will be to maintain a public image for your store and to advertise special sales being held. The advertising budget then should drop to approximately 3% of total sales.

There are many media sources at your disposal. Among the more important sources are television, radio, newspapers, and the Yellow Pages. Although television has the potential to reach the greatest audience, the high costs involved may be prohibitive. Radio advertising costs are much lower than for television, and consequently allow you to stretch your advertising dollar further. Also, certain radio stations and certain programs reach select markets which may coincide with your target market. You might, for example, advertise during, after or before a sports broadcast. The print media allows you to reach the market at an even lower cost, but with a more limited means of moving in on your target market. You can select from newspapers with provincial exposure (the Winnipeg Free Press) to ones with more local emphasis (Steinbach Carillon).

Public relations is a fairly inexpensive means of promoting your business, often with excellent results. Providing local sports teams with equipment is an ideal means of fostering public goodwill. Other means of generating traffic include holding autograph sessions with name athletes, (members of the Jets and Blue Bombers), conducting demonstration clinics (how to wax cross-country skis), or acting as a ticket outlet for sporting events.

It is important to budget and schedule your advertising expenditures, both in terms of amounts and timing. Obviously winter equipment will not sell well in June, unless prices are very attractive. You should schedule promotions to fit with customers demand, and should select an advertising medium that will reach those customers.

PERSONNEL

Personalized service, often the independent retailer's greatest marketing advantage, is the most commonly cited reason for continued patronage of a store. Since the people you have working for you can play such a large part in determining your success or failure, prospective employees should be carefully screened and successful candidates trained thoroughly. Sales people should be well acquainted with the sporting equipment being sold, and ideally would have used the equipment extensively. As well, they should project a proper image for the store. It may help to have an athletic looking person selling athletic equipment. For these reasons, you might consider hiring persons who are quite actively involved in sports.

There are a number of different plans you might use for compensating your staff, including straight hourly wages or salaries, commissions, bonuses, and profit sharing plans. The plan most appropriate for your situation depends to a degree on the experience of your sales staff, the merchandise you are selling, and other factors. You may find that initially the straight hourly or salary rate is most appropriate. The method of compensation can be modified as needed as the business develops.

INVENTORY MANAGEMENT

INVENTORY SELECTION

Inventory selection involves choosing lines, brands, related merchandise, product assortments (sizes, colours) and quantities.

The size and makeup of your inventory will be dictated by the space availability and the financial capabilities of your firm. Initial inventories should be kept to a minimum, to help minimize working capital requirements. In addition, adaptation to market and seasonal changes can be more easily facilitated when the inventory level is kept low.

Initial purchases should be restricted to products with which you are familiar. Do not, however, allow personal preferences to stand in the way of meeting market demand. It is recommended that a major portion of

inventory be a selection of moderate to expensive items, to differentiate your product from that offered by department stores. Medium-priced items will make up the bulk of sales. In determining the product mix, remember that success is determined by sales of items with high repeat ratios. Such items are purchased regularly, to allow continued participation in a sport. Examples would be golf balls, ski wax, hockey sticks, and ammunition.

In developing your inventory, consider seasonality or the diminishing seasonality in certain sports. Trips to tropical climates have reduced the need to consider swimwear and tennis as primarily summer inventory. You may thus rotate certain inventory items but retail others on a year round basis. You should be mindful of any developments which will affect the demand for sporting goods, so that you can adjust your inventory "mix" accordingly.

In selecting your inventory, the following may guide the determination of inventory size. Project the first year's sales and multiply this figure by a percentage of the cost of goods sold (usually between 67% and 70%). The resulting figure is the first year's inventory requirement. Industry sources indicate average inventory turnover is 3.2 to 4 times per year. Divide this figure by the anticipated turnover rate to arrive at the initial inventory requirement. If, for example, the projected sales for the year were $200,000 and a turnover rate of 4 was anticipated, the initial inventory requirements would be between $33,500 ($\frac{\$200,000 \times .67}{4}$) and $35,000 ($\frac{\$200,000}{4} \times .70$). This is a rough guideline, but it should help some what in determining initial inventory levels. Incidentally, if your inventory turnover ratio ($\frac{\text{cost of goods sold}}{\text{inventory}}$) is substantially less than 3.2 to 4.0, you have too much inventory on hand and should take corrective measures.

PURCHASING

Purchases can be made from either manufacturers or wholesalers, and there are advantages associated with each source. Manufacturers offer quantity discounts, but orders must be placed well in advance of actual

sales. You must therefore be able to accurately predict the demand for the products. Wholesalers, on the other hand, can provide items as required, but their prices are higher. In considering sources, one should evaluate them in terms of promotional assistance, promptness of delivery, and pricing policy. Manitoba has an excellent assortment of sporting goods manufacturers and wholesalers. Consult your Yellow Pages, or Manitoba Trade Directory (available at most public libraries).

Suppliers are usually excellent sources of information. They can provide information on trends in the industry or market which may assist you in selecting inventory. As well, suppliers can be a source of financing. With new accounts, cash payments are usually requested, but once a credit rating has been established, lines of credit (30 to 60 days) will generally be made available.

Purchasing plans for seasonal as well as monthly time periods should be developed. They will help you to purchase systematically rather than on a haphazard basis. Suppliers can provide you with estimates of monthly sales for products, which you can use to develop monthly purchasing budgets.

INVENTORY CONTROL

Proper inventory control is a critical element in the success of any retail store, primarily because of the large amount of capital that is involved. Your inventory control system should provide you with information about which items are selling and which are not. Controls should help to minimize stockouts, and keep investment in the slow moving goods at a minimum. Through careful analysis, you should be able to have the inventory on hand which coincides with the market demand.

A perpetual record of purchases, showing dates of purchase, quantities, prices etc. should be maintained. Periodically records of sales should be incorporated into the perpetual records, so that a reasonably accurate record of the actual amount on hand is available. On a regular basis, perhaps monthly or semi-annually, the written records should be verified by an actual physical count of the goods on the shelf.

A careful review of these records will enable you to fine tune your inventory, so that you do not have large amounts of capital tied up in stock which is simply sitting on the shelf.

SECURITY

Poor security can result in a great many problems, including theft (both internal and external), uncollectable credit card sales, excessive bad cheque losses, etc. The following are suggestions to help you keep these problems to a minimum:

1. Design your store so the layout is amenable to security measures. For example, install mirrors to increase the vision of sales clerks, and encourage clerks to be aware of customer movement in the store.

2. Train employees to spot shoplifters, and give them specific procedures to follow when such an incident occurs.

3. Prosecute all shoplifters apprehended.

4. When taking cheques, carefully examine all identification.

5. When taking credit cards, check the list of stolen cards, check customer signatures, and get telephone authorization if necessary.

6. Check all employee work history when hiring to help keep internal theft at a minimum.

7. Work with your local police department and consult them whenever it is necessary.

FINANCIAL PLANNING

When small businesses fail, they often do so because their owners did not foresee that they would encounter difficult financial circumstances. Proper financial planning can make you aware of possible critical problems before they arise, so that you can take the appropriate action to avoid them. Small businesses often suffer from inadequate financing, and though financial planning may not alleviate that problem, it should enable the entrepreneur to realize the need for additional financing before a crisis arises.

A detailed outline of financial planning is contained in companion volumes in this series: "Finance Guide", and the "Retail Business Plan". The purpose of this section is to underscore the importance of sound financial planning by summarizing the basics of the process.

The steps of financial planning include:

1. Determining the cost of premises, equipment and fixtures;
2. Estimating all operating, direct (cost of materials, wages, etc.) and indirect (interest, rent, etc.) expenses;
3. Estimating working capital or cash flow requirements, and the sales volume needed to meet those requirements;
4. Preparing projected statements: cash flow, profit and loss, and balance sheet.

FINANCIAL RECORDS

Decisions made are only as good as the information upon which they are based. Proper records should be kept so that information about the financial status of the business is available. The information can tell you if any problems are being or are likely to be encountered. Problems such as a sales volume lower than forecast, delinquent accounts receivable, inventories not moving, or profit margins which are too low, may be brought to your attention. The constant monitoring of the business' financial situation can be achieved only if thorough records are kept. You, as a business person, have to know if things are proceeding according to plan. If they are not, you can take remedial action before it is too late.

It is not difficult to maintain a simple record keeping system sufficient for the needs of most small businesses. The exact requirements vary, depending on the volume of business, the number of customers and suppliers, the number of employees, whether or not credit is allowed to customers, and so on. Some of the records you may need include:

1. A cash receipts journal-used to record all payments made to the business;
2. A cash disbursements journal-used to record all payments made by the business;

3. An accounts receivable ledger-used to keep a record of all amounts owed by customers;

4. A general ledger-used to keep a record of all accounts on the balance sheet.

As well, you may need a sales journal (recording all sales made on credit), a purchases journal (recording inventory purchases made on credit), an accounts payable ledger (a summary of amounts owed to suppliers, etc.), and a payroll journal (to record wages paid). You should, of course, make all payments by cheque, not by cash, and maintain an accurate cheque book.

Remember that the system you use has to provide information that is useful to you in making decisions about the business. Having an accountant prepare annual statements (which you may have difficulty interpreting in a useful manner) is not enough. You have to understand the records system and the information that it provides for it to be a part of your financial planning process.

The information contained in your records can be thoroughly analyzed to provide more clues about what exactly is happening to your business. You can, for example, compare your financial status to that of other similar businesses. Various publications contain statistics on key financial ratios for a wide range of retail businesses. These ratios include, for example, current assets to current liabilities, gross profit to sales, net profit to sales, and so on. A profit and loss statement for the average sporting goods business, expressed in ratio form, is shown in Appendix A. Comparing your statement to the sample could point out possible problems. If, for example, your cost of goods is 80% (vs. 66% - 70%), it may mean that your prices are too low. It should be remembered, of course, that the ratios in Appendix A are for the average sporting goods business and there are variations depending on the exact type of product you are selling.

You are required by law to provide statements to the taxation authorities but a more important purpose of keeping financial records is to enable you to monitor the progress of your business.

PRICING

A short note on pricing may be relevant at this point. Pricing your goods properly is an integral element of your planning, both financial and marketing . A discussion of pricing policy is contained in another volume of this series entitled "Marketing". It is worthwhile, however, to explain briefly the mechanics of "markup" pricing in the context of general financial planning.

Retailers generally establish the selling prices of their goods by "marking up" the cost of the merchandise according to some established formula. Markups vary by type of goods and volume of business. Commonly, high volume items (food) have lower markups than do low volume ones (cars, refrigerators). No single markup can be used throughout a sporting goods store, as lower volume items (skates, water skis) should have a higher markup than those which turn over at a higher rate (socks).

Markup can be expressed as a percentage of retail price or of wholesale price (retail cost). More commonly, it is stated in terms of the retail price. Thus if you pay $5 for a hockey stick and sell it for $7, the markup is $\frac{\$7 - \$5}{\$7} = 28.6\%$. If the selling price were $8, the markup would be 37.5%. The practice that you follow will depend on your own pricing policy.

A number of factors will influence pricing policy, including the type of goods being sold, competition, the ability of the customers to pay, your required level of profits, and the time of year. You might mark prices down at the end of the season simply to clear the shelf space.

SUMMARY

Planning will not ensure the success of your enterprise, but it certainly will improve your chances. Remember too, that if your analysis predicts that the business will not be profitable, then do not ignore that analysis and plunge ahead. Do not take starting the business as a foregone conclusion. Financial planning is one part of your business plan, the elements of which bear repeating. The time you take before starting your

business and then while it is underway to plan and to monitor those plans could be your most important investment . Failure to do so would be to start off down the highway without a road map, not knowing how to get where you want to go.

1. State your goals and objectives;

2. Determine the potential market for your procedure;

3. Evaluate the location (new or existing);

4. Decide on the store interior and exterior layout;

5. List sources of supply, terms, and an inventory of requirements.

6. Provide for handling incoming merchandise (receiving, checking, marking, and the movement of goods);

7. Decide upon a general pricing policy and pricing strategy to be used to stimulate profitable sales volume;

8. Outline your promotional policies and strategies;

9. Develop management policies and practices for handling store personnel;

10. Conduct a complete financial analysis of the business:
    - Determine capital cost expenditure,
    - Determine operating costs,
    - Develop financial information for sourcing of funds and control;

11. Establish an expense control system (accounting procedures).

If you would like to discuss your Business Plan or have problems and questions related to its preparation, feel free to call the Centre and arrange to meet with one of the counsellors.

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APPENDIX A

TABLE 1. Selected operating ratios, in percent of sales, 1987

Manitoba, Sporting Goods Stores (SIC 8541)

	Total(1)	Bottom 25%	Lower middle 25%	Upper middle 25%	Top 25%
Businesses in sample (No.)	29				
Low sales value ($000's)	1)	--	--	--	--
High sales value ($000's)	1)	--	--	--	--

Selected expense item	Industry average(2) Total	Bottom 25%	Lower middle 25%	Upper middle 25%	Top 25%	% businesses reporting	Reporting businesses only 3/ Total	Bottom 25%	Lower middle 25%	Upper middle 25%	Top 25%
	Percent of sales						Percent of sales				
Cost of sales	69.2	--	--	--	--	98.0	70.6	--	--	--	--
Occupancy expenses	4.8	--	--	--	--	100.0	4.8	--	--	--	--
Depreciation	1.1	--	--	--	--	82.8	1.3	--	--	--	--
Repairs & maintenance	0.4	--	--	--	--	76.0	0.6	--	--	--	--
Heat, light & telephone	1.2	--	--	--	--	98.0	1.3	--	--	--	--
Rent	2.1	--	--	--	--	72.0	2.9	--	--	--	--
Personnel expenses	11.9	--	--	--	--	83.6	14.2	--	--	--	--
Financial expenses	2.3	--	--	--	--	100.0	2.3	--	--	--	--
Interest & bank charges	2.4	--	--	--	--	88.3	2.7	--	--	--	--
Professional fees	0.6	--	--	--	--	81.7	0.7	--	--	--	--
Other expenses	8.7	--	--	--	--	100.0	8.7	--	--	--	--
Profit (loss)	2.5	--	--	--	--	98.3	2.8	--	--	--	--
Total	100.0	--	--	--	--	100.0	...	--	--	--	--

Symbols
- zero or no observations
-- too small too be expressed
... not applicable
x confidential

Footnotes
(1) These estimates are based on a sample of businesses reporting sales between $25,000 and $2,000,000.

(2) Value in each cell = $\frac{\text{Total weighted expenditure on a given item}}{\text{Total weighted sales of all businesses in the sample}} \times 100$ for each quartile.

(3) Value in each cell = $\frac{\text{Total weighted expenditure on a given item}}{\text{Total weighted sales of businesses reporting this item of expenditure}} \times 100$ for each quartile.

This portion of the table pertains only to the businesses reporting the specific expense item. Therefore these ratios are calculated individually and the total will not necessarily equal 100%.

Notes
Data are shown by quartiles when at least 13 of the sampled businesses report the specific item.

Records were ranked in ascending order according to sales size. Each quartile (i.e. bottom 25%, lower middle 25%, etc.) represents one quarter of the total number of businesses. Within each quartile, the average ratio is presented. For comparison purposes, the high and low values of sales are shown.

How to use the tables
(1) Locate the appropriate sales range that is displayed on the two lines entitled "Low sales value" and "High sales value"
(2) The selected range will indicate the proper quartile, i.e. the bottom 25%, the lower middle 25%, the upper middle 25% or the top 25%.
(3) Data pertaining to the selected sales size range will be in that quartile.

Standard Industrial Classification Definition (SIC 1980):

SIC 8541 - Sporting Goods Stores
Businesses primarily engaged in retail dealing in sporting goods, playground and gymnasium equipment. Businesses may be described by product line such as: retail archery equipment, retail athletic clothing (including uniforms), retail athletic footwear, retail baseball equipment, retail bowling equipment, retail camping equipment (except tent trailers), retail sports and fishing tackle, retail football equipment, retail golf equipment, retail hockey equipment, retail hunting equipment, retail playground equipment, retail skiing equipment, retail soccer equipment, retail softball equipment, sporting goods stores, retail tennis equipment, and retail track and field equipment.

SOURCE. Small Business and Special Surveys Division, Statistics Canada.

APPENDIX A (i)

TABLE 2. Balance sheet profile for incorporated businesses only, 1987

Manitoba, Sporting Goods Stores (SIC 8541)

	Total (1)	Bottom 25%	Lower middle 25%	Upper middle 25%	Top 25%
Businesses in sample (No.)	19				
Low sales value ($000's)	(1)	--	--	--	--
High sales value ($000's)	(1)	--	--	--	--
		Average ($000's)			
Assets					
Cash	-	--	--	--	--
Accounts and notes receivable	21	--	--	--	--
Inventory	-	--	--	--	--
Other current assets	187	--	--	--	--
Total current assets	208	--	--	--	--
Fixed assets	35	--	--	--	--
Less: Accum. dep. on fixed assets	-	--	--	--	--
Other assets	6	--	--	--	--
Total assets	249	--	--	--	--
Liabilities and equity					
Current loans	41	--	--	--	--
Other current liabilities	85	--	--	--	--
Total current liabilities	126	--	--	--	--
Mortgages payable	-	--	--	--	--
Long term debt	3	--	--	--	--
Other liabilities	58	--	--	--	--
Total liabilities	187	--	--	--	--
Total equity	61	--	--	--	--

(1) These estimates are based on a sample of businesses reporting sales between $25,000 and $2,000,000.

See Table 1 for symbols and notes.

TABLE 3. Financial ratios(1) for incorporated businesses only, 1987

Manitoba, Sporting Goods Stores (SIC 8541)

	Total(2)	Bottom 25%	Lower middle 25%	Upper middle 25%	Top 25%
Businesses in sample (No.)	19				
Low sales value ($000's)	(1)	--	--	--	--
High sales value ($000's)	(1)	--	--	--	--
		Average			
Liquidity ratio					
Current ratio (times)	1.7	--	--	--	--
Leverage ratios					
Debt/equity ratio (times)	3.1	--	--	--	--
Interest coverage ratio (times)	3.4	--	--	--	--
Debt ratio (times)	0.8	--	--	--	--

(1) The ratios represent the average of ratios for each business in the group and cannot be calculated from the figures shown in Table 2.

(2) These estimates are based on a sample of businesses reporting sales between $25,000 and $2,000,000.

See Table 1 for symbols and notes.

Definitions:

1. Liquidity ratio:

   Current = current assets / current liabilities.

2. Leverage ratios:

   a) Debt/equity = total liabilities / equity
   b) Debt ratio = total liabilities / total assets.
   c) Interest coverage = net profit + interest expense / interest expense.

SOURCE: Small Business and Special Surveys Division, Statistics Canada.

APPENDIX A (ii)

TABLE 4. Statement of changes in financial position for incorporated businesses only, 1987

Manitoba, Sporting Goods Stores (SIC 8541)

	Total(1)	Bottom 25%	Lower middle 25%	Upper middle 25%	Top 25%
Businesses in sample: No.	11				
Low sales value ($000's)	11	--	--	--	--
High sales value ($000's)	11	--	--	--	--
			Average ($000's)		
Operating activities					
Cash from operations	17	--	--	--	--
Depreciation	5	--	--	--	--
Other	-22	--	--	--	--
Dividends	-2	--	--	--	--
Investment activities					
Disposal of fixed assets	2	--	--	--	--
Purchase of fixed assets	-9	--	--	--	--
Increase in investment	-	--	--	--	--
Decrease in investment	-	--	--	--	--
Financing activities					
Increase in long term debt	8	--	--	--	--
Repayment of long term debt	-3	--	--	--	--
Loans from shareholders	8	--	--	--	--
Repayment of loans from shareholders	-4	--	--	--	--
Advances & loans from government	-	--	--	--	--
Increase in equity	-	--	--	--	--
Decrease in equity	-	--	--	--	--
Other	-1	--	--	--	--
Increase(decrease) in cash & equivalents	-6	--	--	--	--
Cash & equivalents-Beginning of the year	-	--	--	--	--
Cash & equivalents - End of the year	-6	--	--	--	--

(1) These estimates are based on a sample of incorporated businesses reporting sales between $25,000 and $2,000,000. Sample count includes only those businesses reporting a statement of changes.
See Table 1 for symbols and notes.

TABLE 5. Employment changes by size of business, 1984-1987 based on SIC classification in 1987

Manitoba, Sporting Goods Stores (SIC 8541)

Business size expressed in average labour units(1)	Number of businesses	Total payroll ($000's)	Average labour units(1)	Changes in number of businesses with paid employees: Newly reporting(2)	Changes in number of businesses with paid employees: No longer reporting(3)
1984					
Total	105	5,697	458	22	8
less than 20	98	3,288	250	20	8
20 - 99	5	1,708	141	1	-
100 - 499	1	X	45	-	-
500 and over	1	X	12	1	-
1987					
Total	119	6,881	464	22	...
less than 20	115	4,790	324	22	...
20 - 99	3	X	123	-	...
100 - 499	-	-	-	-	...
500 and over	1	X	17	-	...

(1) Average labour units are calculated by dividing total payroll by the average annual wage and salary rate as reported in the *Survey of Employment, Payroll and Hours*, Statistics Canada, Catalogue 72-002. An average labour unit could be interpreted as a full-time employee. Note that the business size groups used are determined at the Canada level. Thus if a business has at least 500 employees in Canada as a whole but less than that number in any given province it is shown in the 500 and over group.
(2) Refers to businesses reporting no payroll deductions in the previous year.
(3) Refers to businesses reporting no payroll deductions in the following year.

"Newly reporting" and "no longer reporting" businesses are assumed to have been in activity for six months and the information is adjusted accordingly.

See Table 1 for symbols and notes.

SOURCE: Small Business and Special Surveys Division, Statistics Canada.

APPENDIX A (iii)

TABLE 6. Selected operating characteristics of small businesses by sales quartile, 1985-1987

Manitoba, Sporting Goods Stores (SIC 8541)

	Total[1]	Bottom 25%	Lower middle 25%	Upper middle 25%	Top 25%
			1985		
Number of observations in sample	24				
Average sales $	212.439	--	--	--	--
Average expense $	210.186	--	--	--	--
Average net profit (loss) $	2.253	--	--	--	--
Businesses reporting a profit (No.)	15				
Average sales $	141.573	--	--	--	--
Average expense $	136.115	--	--	--	--
Average net profit $	5.458	--	--	--	--
Businesses reporting a loss (No.)	9				
Average sales $	384.143	--	--	--	--
Average expense $	397.591	--	--	--	--
Average net loss $	-13.448	--	--	--	--
			1986		
Number of observations in sample	46				
Average sales $	208.848	--	--	--	--
Average expense $	205.484	--	--	--	--
Average net profit (loss) $	3.382	--	--	--	--
Businesses reporting a profit (No.)	34				
Average sales $	298.345	--	--	--	--
Average expense $	278.678	--	--	--	--
Average net profit $	19.667	--	--	--	--
Businesses reporting a loss (No.)	12				
Average sales $	173.294	--	--	--	--
Average expense $	186.682	--	--	--	--
Average net loss $	-13.388	--	--	--	--
			1987		
Number of observations in sample	35				
Average sales $	348.812	--	--	--	--
Average expense $	339.403	--	--	--	--
Average net profit (loss) $	9.409	--	--	--	--
Businesses reporting a profit (No.)	28				
Average sales $	384.828	--	--	--	--
Average expense $	353.941	--	--	--	--
Average net profit $	30.887	--	--	--	--
Businesses reporting a loss (No.)	9				
Average sales $	358.218	--	--	--	--
Average expense $	384.095	--	--	--	--
Average net loss $	-25.877	--	--	--	--

(1) These estimates are based on a sample of businesses reporting sales between $25,000 and $2,000,000

See Table 1 for symbols and notes

SOURCE: Small Business and Special Surveys Division, Statistics Canada.

APPENDIX B

PRELIMINARY ESTIMATES

TABLE 10. Retail Trade, Chain and Independent Stores, by Kind of Business

Metropolitan Winnipeg

January - 1988 - Janvier

No.	Kind of business - Genre de commerce	Chain stores - Magasins à succursales		Independent - Magasins indépendants		All stores - Ensemble des magasins	
		Sales - Ventes	Change 1988/1987 Variation	Sales - Ventes	Change 1988/1987 Variation	Sales - Ventes	Change 1988/1987 Variation
		$'000	%	$'000	%	$'000	%
26	Sporting goods and accessories stores	x	x	x	x	2,256	+ 15.2

PRELIMINARY ESTIMATES

TABLE 9. Retail Trade, Chain and Independent Stores, by Kind of Business

Manitoba

January - 1988 - Janvier

No.	Kind of business - Genre de commerce	Chain stores - Magasins à succursales		Independent - Magasins indépendants		All stores - Ensemble des magasins	
		Sales - Ventes	Change 1988/1987 Variation	Sales - Ventes	Change 1988/1987 Variation	Sales - Ventes	Change 1988/1987 Variation
		$'000	%	$'000	%	$'000	%
26	Sporting goods and accessories stores	x	x	x	x	4,634	+ 16.0

Source: Statistics Canada Catalogue # 63-005 (Retail Trade)

APPENDIX C

TABLE A. Analysis of Sales Per Selling Area by Kind of Business and Region, Ranked by Sales Per Square Foot of Selling Area - Cont'd

TABLEAU A. Analyse des ventes selon la superficie de vente d'après le genre de commerce et la région - Classement d'après les ventes par pied carré de superficie de vente - suite

Region, Quartiles and Weighted Averages / Région, Quartiles et moyennes pondérées	Sales - Ventes: Lower Quartile Values / Valeur minimum du quartile		Average Annual Sales / Ventes annuelles moyennes	Selling Area Average / Superficie moyenne de vente		Type of Store Location / Genre d'emplacement				
	Square Foot / Pieds carrés	Square Metre / Mètres carrés	$ 000'S	Square Feet / Pieds carrés	Square Metres / Mètres carrés	On Street / Sur rue	Shopping Centre: Neighbourhood / Centre commercial: de quartier	Shopping Centre: Community / Centre commercial: communautaire	Centre Commercial: Regional / Centre commercial régional	Centre Commercial: Indoor Mall / Centre commercial: mail intérieur
	$	$				%	%	%	%	%
	Sporting Goods Stores / Articles de sports									
Manitoba										
Upper Middle 25% / Intermédiaire supérieur 25%	125	1 345	342	2 542	234	100	-	-	-	-
Lower Middle 25% / Intermédiaire inférieur 25%	73	786	143	1 780	164	100	-	-	-	-
Bottom 25% / Inférieur 25%			134	2 432	224	100	-	-	-	-
Average / Moyenne			178	1 798	165	100	-	-	-	-

Appendix IV. Sample and store count by kind of business & region

	Number in sample / Nombre dans l'échantillon		
	Canada		Manitoba
Sporting goods stores	172	1 314	34

See Appendix IV for sample counts / Voir l'annexe IV pour les chiffres de l'échantillon

SOURCE. Retail Selling Area Survey, Small Business Statistics, Statistics Canada
SOURCE. Enquête sur la superficie de vente au détail, Statistiques sur les petites entreprises, Statistique Canada

APPENDIX D

TABLE 20. Detailed Average Family Expenditure and Percentage Reporting, Canada, 10 Provinces, 1986 - Continued

TABLEAU 20. Dépenses moyennes détaillées des familles et pourcentage de familles déclarantes, Canada, 10 provinces, 1986 - suite

All Families and Unattached Individuals - Ensemble des familles et des personnes seules

		Average per family Moyenne par famille	Percentage reporting Pourcentage déclarant		
3200-3279	Recreation	1771	98.9	Loisirs	3200-3279
3200-3271	Recreation equipment & associated services	449	83.1	Matériel et service reliés aux loisirs	3200-3271
3200-3207	Sporting & athletic equipment	103	44.5	Matériel de sport et d'athlétisme	3200-3207
3200	Golf	12	7.4	Golf	3200
3201	Ice hockey equipment (excl. skates)	11	9.7	Mat. de hockey sur glace (sauf patins)	3201
3202	Ice skates	10	11.8	Patins à glace	3202
3203	Downhill skiing	18	5.0	Matériel de descente de ski	3203
3204	Cross-country skiing	5	3.9	Matériel de ski de randonnée	3204
3205	Fishing	13	17.0	Pêche	3205
3206	Home exercise equipment	11	9.2	Mat. de condition. physique au foyer	3206
3207	Other sporting & athletic equipment	23	16.8	Autre matériel de sport & d'athlétisme	3207
3208	Playground equipment incl. above ground pool	9	5.7	Mat. terr. de jeux (y comp. pisc. h.t.)	3208
3210-3229	Toys, games & hobby equipment	141	58.1	Jouets, jeux et mat. pour passe-temps	3210-3229
3210-3212	Toys	42	31.9	Jouets	3210-3212
3210	Dolls (incl. clothing)& stuffed toys	14	20.6	Poupées (y comp. vêt.), jouets remb.	3210
3211	Toy vehicles & construction toys etc.	17	17.8	Véhic.-jouets, jeux de const., etc.	3211
3212	Other toys	12	18.2	Autres jouets	3212
3213	Sleighs, toboggans & childrens' vehicles	5	9.9	Traîneaux, toboggans, véhi. pour enfants	3213
3220-3229	Games & hobby equipment	94	47.1	Jeux et matériel pour passe-temps	3220-3229
3220	Electronic games & parts	5	7.8	Jeux et pièces électroniques	3220
3221	Handicraft kits	7	9.3	Nécessaires pour trav. manuels	3221
3222	Handicraft materials	12	12.0	Matériel pour trav. manuels	3222
3223	Artists' materials	6	6.6	Matériel d'artiste	3223
3224-3228	Computer equipment & supplies	48	6.4	Matériel & fourn. informatiques	3224-3228
3224	Computer hardware	39	2.9	Ordinateurs	3224
3225	Computer software	5	2.6	Logiciel	3225
3226	Computer supplies	4	4.7	Fournitures informatiques	3226
3228-3229	Other games & recreation equipment	18	32.2	Autres jeux et matériel de loisir	3228-3229
3228	Other games & puzzles	12	30.8	Autres jeux et casse-tête	3228
3229	Other recreation equipment	4	3.7	Autre matériel de loisir	3229
3230-3238	Photographic goods & services	119	70.0	Matériel et service photographiques	3230-3238
3230-3231	Cameras	21	10.4	Appareils photo	3230-3231
3230	35-Millimetre cameras	18	7.5	Appareils photo 35 millimetres	3230
3231	Other cameras	3	3.1	Autres appareils photo	3231
3232	Camera parts & accessories	8	8.0	Pièces et access. pour appareils photo	3232
3233	Other photographic goods (excl. film)	4	12.4	Autre matériel photo. (sauf pellicule)	3233
3234-3235	Film & processing	73	67.1	Pellicules et traitement	3234-3235
3234	Films (excl. processing)	22	53.5	Pellicules excluant le traitement	3234
3235	Film processing (incl. film)	51	57.7	Traitement (y compris pellicule)	3235
3238	Other photographic services	14	17.1	Autres services photographiques	3238
3240-3242	Musical instruments, accessories & parts	38	8.0	Instruments de musique, pièces et access.	3240-3242
3240	Pianos & organs	21	1.9	Pianos et orgues	3240
3241	Other musical instruments	10	4.0	Autres instruments de musique	3241
3242	Parts & accessories	4	3.7	Pièces et accessoires	3242
3250	Collectors' items (ex. works of art etc.)	12	5.4	Art. de collectionneurs (sauf art. d'art)	3250
3260-3262	Camping & picnic equipment (excl. bbq's)	13	14.0	Mat. de camping & pique-nique (sauf bbq)	3260-3262
3260	Tents, back packs, sleeping bags	8	9.8	Tentes, sacs à dos et sacs de couchage	3260
3262	Other camping & picnic equip. & access.	5	8.4	Autre mat. access. camp. pique-nique	3262
3270	Supplies & parts for recreational equip.	12	17.8	Pièces & fournitures pour mat. de loisir	3270
3271	Rental, maintenance & repairs	3	4.5	Location, entretien et réparations	3271
3280-3298	Recreation vehicles & outboard motors	305	38.1	Véhicules de plaisance & moteurs hors-bord	3280-3298
3280-3289	Purchase of recreation vehicles	197	21.3	Achats de véhicules de plaisance	3280-3289
3280	Bicycles	25	14.1	Bicyclettes	3280
3281-3289	Other vehicles & outboard motors	171	9.4	Autres véhicules et moteurs hors-bord	3281-3289
3281	Travel trailers	24	0.8	Roulottes	3281
3282	Tent trailers	4	0.8	Tentes-roulottes	3282
3283	Motorcycles	28	2.9	Motocyclettes	3283
3284	Snowmobiles	18	1.6	Motoneiges	3284
3285	Motor homes	21	0.3	Roulottes motorisées	3285
3286	Truck campers	10	0.3	Camoteuses	3286
3287	Boats (incl. canoes)	27	1.8	Bateaux (y compris canots)	3287
3288	Other recreation vehicles	29	2.3	Autres véhicules de plaisance	3288
3289	Outboard motors	13	1.2	Moteurs hors-bord	3289
3290	Purchase of accessories & attachments	18	5.8	Achats d'accessoires et mat. auxiliaire	3290
3291-3298	Operation of recreational vehicles	91	27.9	Utilisation de véhicules de plaisance	3291-3298
3291	Bicycle maintenance & repairs	3	8.1	Rép. et entretien de bicyclettes	3291
3292-3298	Other vehicle operation	88	22.2	Autre utilisation du véhicule	3292-3298
3292	Fuels	25	15.5	Carburants	3292
3293	Maintenance & repair supplies & parts	12	7.9	Mat. & pièces pour rép. & entretien	3293
3294	Maintenance & repair jobs	9	3.6	Réparations & travaux d'entretien	3294

Source: Family Expenditure in Canada by 10 provinces, 1986. Cat. #62-555

APPENDIX E

REFERENCES

Associations

1. The Canadian Association for Health, Physical Education and Recreation, Inc.,
   333 River Road
   Ottawa, Ontario
   K1L 8B9

2. Manitoba Centre for Sports and Recreation
   1700 Ellice
   Winnipg, Manitoba
   R3H 0B1

3. Sports Federation of Canada
   11th Floor
   333 River Road
   Vanier City, Ontario
   K1L 3B9

TRADE JOURNALS

1. Sporting Goods Retailer
   National Sporting Goods Association
   717 North Michigan Avenue
   Chicago, Illinois 60611

2. Sporting Goods Canada
   MacLean Hunter Publications
   481 University Avenue
   Toronto, Ontario
   M5W 1A7

3. Desk Reference Directory
   provides information on suppliers
   Publisher Jim Rennie's Sports Letter
   Box 1000
   Collingwood, Ontario
   L9Y 4L4
   (705) 445-7161